

April 5, 2006



Marlene H. Dortch
Secretary
Federal Communications Commission
TW-A325
445 Twelfth St., SW
Washington, DC 20554

Re: Written *Ex parte* Comment in AU Docket No. 06-30; WB Docket No. 05-211

Dear Ms. Dortch:

Attached please find a copy of a written *Ex Parte* Statement by Dr. Gregory Rose, on behalf of NHMC, *et al.*, in response to the compromise proposal supported by Dr. Robert Weber and Dr. Peter Cramton.

As discussed in the *ex parte*, the Cramton proposal to use an initial eligibility ratio of 2:1 rests on the untested assumption that *any* auction more competitive than the PCS DEF Block Auction Dr. Cramton studied in his 2002 paper with Jesse Schwartz is sufficiently competitive to resist tacit collusion. There is no empirical evidence, nor any theoretic reason, to assume that a ratio of 2:1 constitutes a “magic threshold” that ensures a sufficiently competitive auction. The proposal also lacks safeguards to protect it from manipulation by bidders.

Furthermore, as demonstrated by Dr. Rose, the arguments that smaller bidders need auction transparency because they need to “know their neighbors” lacks merit. Not only do these arguments make no sense, *incumbents’ “know your neighbor” arguments amount to a virtual confession of tacit collusion.* For transparent bidding to convey the information these incumbents claim they need to determine their own bids, they would need to be able to predict the likely winner of the neighboring licenses based on the nature of the early bids and their knowledge of the bidder. This is the

very definition of tacit collusion. To accept the “know your neighbor” arguments therefore amount to a blessing of tacit collusion as a feature of the auctions.

In accordance with Section 1.1206(b) of the Commission's Rules, 47 C.F.R. § 1.1206, this letter is being filed with your office. If you have any questions, please do not hesitate to contact me.

Respectfully Submitted,

Harold Feld
Senior Vice President

cc:

Leslie Marx
John Guisti
Aaron Goldberger
Barry Ohlson
Fred Campbell
Uzoma Onyeije
Gary Michaels
Jim Schlichting